

Message Text

PAGE 01 STATE 192602
ORIGIN EA-03

INFO OCT-01 ISO-00 EUR-03 /007 R

66011

DRAFTED BY EA/EP:AALBRECHT
APPROVED BY EA/EP:AALBRECHT
EA/K:BPORTER

-----028823 010621Z /14

R 312038Z JUL 78

FM SECSTATE WASHDC
TO AMEMBASSY SEOUL

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FOLLOWING REPEAT PARIS 23821 SENT ACTION SECSTATE INFO
ALL OECD CAPITALS, BRUSSELS AND GENEVA JUL 29.

QUOTE: LIMITED OFFICIAL USE PARIS 23821

USOECD

USEEC

USMTN

PASS EB/ITP

PASS STR ELECTRONICALLY FOR HEIMLICH

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: STEEL RESOLUTION: MEETING OF OECD AD HOC
STEEL GROUP JULY 26-27

1. SUMMARY: AD HOC STEEL GROUP MADE CONSIDERABLE
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PROGRESS TOWARD CONSENSUS ON STEEL RESOLUTION. AGREED
CHANGES IN TEXT ARE DESCRIBED BELOW, AND REVISED TEXT
WILL BE TRANSMITTED AS SOON AS AVAILABLE. PARAGRAPH
ON PARTICIPATION ON NON-MEMBERS WAS LEFT FOR LATER
CONSIDERATION IN CONNECTION WITH COUNCIL DECISION
FOR ESTABLISHING COMMITTEE, BUT GROUP REACHED CONSENSUS
THAT LIMITED NUMBER OF NON-OECD COUNTRIES WILL BE
INVITED. CURRENT SECRETARIAT THINKING IS THAT OECD
COUNCIL WOULD TAKE FINAL DECISION ON INVITATIONS, BUT
BY "NEGATIVE CONSENSUS" (I.E. UNANIMOUS VOTE OF

COUNCIL WOULD BE REQUIRED TO REJECT A STEEL COMMITTEE NOMINATION). OTHER OUTSTANDING ISSUES ARE (A) REPORTING OF VRA'S, WHERE EC IS CONSIDERING U.S. PROPOSAL TO REMOVE PROBLEM BY MAKING A FOOTNOTE REFERENCE TO SAFEGUARDS CODE IN MTN; (B) PRICE GUIDELINES STATEMENT, WHERE SEVERAL DELS EXPRESSED DISSATISFACTION WITH EXISTING TEXT; LANGUAGE WAS REARRANGED FOR CLARITY, BUT DELS COULD NOT AGREE ON REVISED LANGUAGE (JAPANESE IN PARTICULAR RAISED OBJECTIONS) AND DECIDED TO RECONSIDER ENTIRE PARA IN CAPITALS. (C) REFERENCE TO "TRADITIONAL TRADE FLOWS," WHERE AUSTRALIANS OVER EC OBJECTIVES WANT WORD "TRADITIONAL" DELETED; (D) AUSTRALIAN DEMAND FOR FOOTNOTE STATING NOTHING IN RESOLUTION ALTERS GATT RIGHTS AND OBLIGATIONS OF INDIVIDUAL COUNTRIES. EXPORT CREDITS LANGUAGE IS ALSO FORMALLY IN BRACKETS, ALTHOUGH PARTICIPANTS EXPRESSED CONFIDENCE PROBLEMS COULD BE RESOLVED. EC MADE IT CLEAR IN BOTH TRILATERAL AND PLENARY SESSIONS THAT ITS FINAL ACCEPTANCE OF ESTABLISHMENT OF COMMITTEE IS CONDITIONAL ON SATISFACTORY RESOLUTION OF OUTSTANDING U.S. ANTIDUMPING CASES. SECRETARIAT WILL PREPARE DRAFT COUNCIL DECISION AND 1979 PROGRAM OF WORK AND BUDGET FOR COMMITTEE FOR CONSIDERATION AT GROUPS NEXT (AND PROBABLY LAST)

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MEETING, WHICH WAS SCHEDULED FOR SEPTEMBER 20-21.
END SUMMARY.

2. INITIAL COMMITMENTS: FOLLOWING SUMMARIZES
CHANGES MADE IN COMMITMENTS TEXT, DEBATE OVER WHICH
TOOK UP MOST OF MEETING.

(A) REPORTING OF ACTIONS (8A3): TO
RESOLVE US/EC DIFFERENCES OVER WHETHER VRA'S SHOULD BE
REPORTED TO COMMITTEE, U.S. PROPOSED FOOTNOTE
PERTAINING TO "ALL ACTIONS" AS FOLLOWS: "IT IS UNDER-
STOOD THAT THESE INCLUDE ALL SAFEGUARDS CODE NEGOTIATED
IN THE MTN. EC SAID IT WAS FAVORABLY DISPOSED TO THIS
SOLUTION AND AGREED TO LET OTHERS KNOW WHETHER IT WAS
ACCEPTABLE AT AN EARLY DATE. BOTH PROPOSED FOOTNOTE
AND EXISTING REFERENCE TO VRA'S ARE IN BRACKETS.

(B) PRICE GUIDELINES: AUSTRALIANS, CANADIANS,
AND SWEDES OBJECTED TO DRAFTING OF 8A(5 AND 6), WHILE
EC ALSO EXPRESSED CONSIDERABLE MISGIVINGS. PARA
8A5 WAS CHANGED TO STATE THAT GUIDELINES SHOULD BE
IN CONFORMITY WITH THE ANTIDUMPING CODE. PARA 8A6
WAS REARRANGED AS FOLLOWS FOR CLARITY:

"SUCH PRICE GUIDELINES SHOULD EITHER NOT EXCEED THE
LOWEST NORMAL PRICES IN THE SUPPLYING COUNTRY OR

COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION ARE PREVAILING, OR NOT EXCEED PRICES COMPRISING THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEADS) AND PROFIT IN SUCH COUNTRY OR COUNTRIES; DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES MAY BE INCLUDED AS REQUIRED."

JAPANESE, HOWEVER, INSISTED (WITH SOME AGREEMENT FROM EC) ON INSERTING WORD "LOWEST" BEFORE "FULL COSTS," OR REFERENCE TO MOST EFFICIENT PRODUCING COUNTRY AFTER "PROFIT." SEVERAL DELS NOTED TECHNICAL COMPLEXITY

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OF ISSUE, AND IT WAS AGREED TO RECONSIDER WHOLE PARA IN CAPITALS.

(C) EXPORT CREDITS (8B): EC HAD PROBLEMS WITH COMMITMENT TO AVOID ANY FORM OF COMPETITIVE SUBSIDIZATION. AS A SUBSTITUTE, REVISED TEXT RECALLS TRADE PLEDGE COMMITMENT TO AVOID DESTRUCTIVE COMPETITION, AND RECORDS AGREEMENT TO ABIDE BY OECD ARRANGEMENT AND CONTRIBUTE TO AVOIDANCE OF COMPETITIVE SUBSIDIZATION. TEXT WAS LEFT IN BRACKETS AS NEITHER EC NOR US WERE PREPARED TO GIVE FORMAL APPROVAL. HOWEVER, US URGED THAT TEXT BE STRENGTHENED RATHER THAN WEAKENED ANY FURTHER.

(D) DOMESTIC POLICIES (8C): REVISED TEXT REFERS TO POSITIVE ADJUSTMENT ORIENTATIONS ADOPTED BY OECD MINISTERS AND, AT SWEDISH INSISTENCE, OMITTS REFERENCE TO "ARTIFICIALLY RAISING STOCK LEVELS." US NOTED IT FEELS FREE TO RAISE QUESTION OF STOCKING INCENTIVE POLICIES WHICH AIM TO AVOID ADJUSTMENT EVEN THOUGH THESE ARE NOT EXPLICITLY MENTIONED.

(E) TRADITIONAL TRADE FLOWS (8A4): AUSTRALIA OBJECTED STRONGLY TO WORD "TRADITIONAL," ARGUING THIS IMPLIED A FREEZING OF TRADE FLOWS WHICH IS CONTRARY TO INTERESTS OF MOST EFFICIENT PRODUCERS. US AND EC ARGUES THIS WORD WAS NECESSARY TO HELP GUIDE ACTION IN CRISIS SITUATIONS, AND IT WAS LEFT IN BRACKETS.

3. OBJECTIVES: PARA ON REVIEW OF GOVERNMENT POLICIES WAS REVISED TO RESPOND TO AUSTRALIAN AND CANADIAN CONCERNS ABOUT "ASSESSING APPROPRIATENESS." COMMITTEE WILL NOW "REVIEW AND ASSESS GOVERNMENT POLICIES, ETC." AUSTRALIANS ALSO DEMANDED FOOTNOTE TO REFERENCE TO GATT RULES IN THIS SECTION WHICH WOULD READ: "IT

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IS NOTED THAT REFERENCES TO GATT RULES AND PROVISIONS

IN THE TEXT DO NOT ALTER THE GATT RIGHTS AND OBLIGATIONS OF INDIVIDUAL MEMBER COUNTRIES." US AND EC ARGUED THIS WAS SELF-EVIDENT, WOULD CLUTTER TEXT AND RAISE QUESTIONS IN MINDS OF READERS. AUSTRALIANS HOWEVER SAID THEY HAD BEEN BURNED IN THE OLD MULTIFIBER AGREEMENT -- WHERE THEY FELT THEY HAD HAD ASSURANCES ABOUT THEIR GATT RIGHTS AND WERE LATER TOLD THEY HAD SIGNED SOME OF THEM AWAY -- AND THIS TIME NEEDED EXPLICIT SAFEGUARDS. PROPOSALS FROM CHAIR THAT THEIR CONCERNS BE RECORDED IN MINUTES OR COUNCIL DECISION WERE REJECTED BECAUSE EVENTUAL NON-OECD PARTICIPANTS MIGHT NOT HAVE ACCESS TO THESE. TEXT WILL INCLUDE AUSTRALIAN FOOTNOTE IN BRACKETS.

4. WORK PROGRAM: SWEDISH PROPOSAL TO ADD IDEA OF "STIMULATION OF STEEL DEMAND" TO ITEM 5, "DOMESTIC POLICIES TO SUSTAIN STEEL PRODUCTION IN TIMES OF CRISES," FOR CONSISTENCY WITH SIMILAR POINT IN PARA 1, WAS ADOPTED. WORDS "EXTENDED INTERNATIONALLY" IN ITEM ON EXPORT CREDITS WERE OMITTED AS SUPERFLUOUS.

5. PURTICIPATION OF NON-MEMBERS ISSUE: US HAD BI-LATERAL SESSION WITH SECRETARY GENERAL VAN LENNEP TO DISCUSS NON-MEMBERS QUESTION, ON WHICH SECRETARIAT HAD PREPARED INFORMAL COMMENTARY (GIVEN TO US, EC AND JAPAN) OUTLINING CERTAIN PROBLEMS RAISED BY EXISTING TEXT OF STEEL RESOLUTION. IN THIS MEETING US MADE CLEAR THAT AN AGREEMENT THAT A LIMITED NUMBER OF NON-MEMBERS WOULD BE INVITED TO PARTICIPATE IN COMMITTEE WAS CRUCIAL TO US DECISION TO SEEK ESTABLISHMENT IN OECD AND THAT, WHATEVER ROLE OF COUNCIL, PRESUMPTION MUST BE THAT COMMITTEE NOMINATIONS FOR INVITATIONS WOULD BE OVERRIDDEN ONLY IN EXCEPTIONAL POLITICAL CIRCUMSTANCES. OUTCOME OF LIMITED OFFICIAL USE
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DISCUSSIONS WAS DEVELOPMENT OF SECRETARIAT CONCEPTION ALONG FOLLOWING LINES, WHICH WAS PRESENTED TO BOTH TRILATERAL AND PLENARY MEETINGS: A) THERE SHOULD BE CLEAR AGREEMENT ON PARTICIPATION OF A LIMITED NUMBER OF COUNTRIES AND ON WHICH ONES WOULD BE PRIMARY PROSPECTS; (THIS COULD BE RECORDED IN A CONFIDENTIAL MINUTE); B) SECTION ON PARTICIPATION SHOULD BE MOVED FROM RESOLUTION TO THE NON-PUBLIC COUNCIL DECISION ESTABLISHING THE COMMITTEE (THIS TO AVOID COUNTRIES "APPLYING" FOR MEMBERSHIP AND EMBARRASSMENT OF POSSIBLY REFUSING THEM); C) TEXT OF CRITERIA FOR PROPOSING INVITATIONS SHOULD BE REVIEWED. STEEL COMMITTEE WOULD HAVE ROLE OF DETERMINING WHEN A COUNTRY MET THE CRITERIA; AND D)

COUNCIL WOULD HAVE FINAL, BUT PRO FORMA DECISION ON INVITATIONS. EITHER VOTING ON SUCH A QUESTION WOULD BE RESTRICTED TO THOSE OECD MEMBERS ALSO MEMBERS OF STEEL COMMITTEE OR (AS SECRETARY GENERAL APPEARED TO FAVOR) IT WOULD REQUIRE UNANIMOUS DECISION OF COUNCIL (ALL MEMBERS VOTING) TO REJECT NOMINATION PROPOSED BY COMMITTEE ("NEGATIVE CONSENSUS").

6. IN TRILATERAL, EC AND JAPAN BOTH INDICATED THIS SORT OF APPROACH SEEMED TO RESPOND TO A NUMBER OF THEIR CONCERNS ABOUT EXISTING TEXT'S HANDLING OF NON-MEMBERS ISSUE, THOUGH NEITHER WAS WILLING TO ADDRESS DETAILS OF COUNCIL ROLE. US PROPOSED THAT LIST OF PRIMARY INVITEES SHOULD BE AGREED BEFOREHAND. EC WAS EQUIVOCAL ON THIS POINT, ESPECIALLY REGARDING RECORDING SUCH AGREEMENT, BUT AGREED FULLY THAT 3 OR 4 COUNTRIES SHOULD BE INVITED. COMMISSION REP ASKED SECRETARIAT PROPOSE DRAFT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COUNCIL DECISION WITH ATTENTIVE APPROACHES FOR CONSIDERATION BY GROUP AT NEXT MEETING. US INDICATED CONSIDERABLE INTEREST IN "NEGATIVE CONSENSUS" CONCEPT.

7. FEW REACTIONS WERE NOTED FROM OTHER DELS WHEN ISSUE WAS DISCUSSED IN PLENARY. AUSTRALIANS THOUGHT OECD HEADS OF DELS SHOULD TAKE UP QUESTION. SPAIN DOUBTED NON-MEMBERS WOULD WANT TO JOIN COMMITTEE GIVEN OBLIGATIONS IMPOSED. CANADA, IN BILATERAL, SUGGESTED VENEZUELA BE ADDED TO LIST OF 4 KEY INVITEES MENTIONED BY US (KOREA, BRAZIL, MEXICO, INDIA). SWEDES STRESSED IMPORTANCE OF NOT ESTABLISHING PRECEDENT THAT WOULD DILUTE OECD AND LINKED PARTICIPATION BY NON-MEMBERS TO CONCEPT OF EXCEPTIONAL SITUATION IN WORLD STEEL SECTOR AND, FROM THEIR POINT OF VIEW, TEMPORARY NATURE OF COMMITTEE.

8. REVISED TEXT OF RESOLUTION HAS PRO MEMORIA ITEM UNDER "PARTICIPATION" NOTING THAT THE CONSENSUS THAT A LIMITED NUMBER OF NON-MEMBERS WILL BE INVITED IS TO BE FORMULATED IN THE DRAFT COUNCIL DECISION. SECRETARIAT WILL BE DRAFTING PROPOSED COUNCIL DECISION INCORPORATING A PROPOSAL ON NON-MEMBERS ISSUE FOR PRESENTATION TO GROUP AT ITS SEPTEMBER MEETING. ANY SPECIFIC VIEWS US HAS AS TO CONTENT OF THIS TEXT AND WAY IT SHOULD BE HANDLED SHOULD BE PROVIDED TO MISSION FOR DISCUSSION WITH SECRETARIAT AT AN EARLY DATE.

9. DURATION QUESTION: NORWAY, SWEDEN, AND CANADA
STATED IN THEIR VIEW STEEL COMMITTEE WAS NOT TO BE A
PERMANENT BODY BUT WAS LINKED TO THE EXISTENCE OF
THE EXTRUORDINARY SITUATION IN THE INDUSTRY. EC
CONSIDERED THAT THE COMMITTEE HAD NO SPECIFIED TIME
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LIMIT AND THAT CONTINUATION OF ITS WORK WAS OPEN FOR
DISCUSSION AT SOME LATER TIME. SECRETARIAT NOTED
THAT ANNUAL BUDGET APPROVALS PROVIDED OPPORTUNITY FOR
EVALUATING ACTIVITIES OF COMMITTEE. IN THIS CONNECTION
SECRETARIAT INTENDS TO CIRCULATE DRAFT PROGRAM
OF WORK AND BUDGET FOR COMMITTEE'S 1979
ACTIVITIES AT AN EARLY DATE. DELS WHO SPOKE
AGREED WITH PRINCIPLE THAT COMMITTEE SHOULD BE
PART II ACTIVITY IN OECD, ALTHOUGH AUSTRALIA THOUGHT
POSSIBILITY OF REDUCING PART I RESOURCES TO
COMPENSATE FOR COST OF THIS NEW COMMITTEE SHOULD
BE CONSIDERED KATZ
UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, RESOLUTIONS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE192602
Document Source: ADS
Document Unique ID: 00
Drafter: EA/EP:AALBRECHT
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780314-0098
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t197807106/baaazkf.tel
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Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: b173566b-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1858101
Secure: OPEN
Status: NATIVE
Subject: STEEL RESOLUTION: MEETING OF OECD AD HOC STEEL GROUP JULY 26-27
TAGS: ETRD, OECD
To: SEOUL
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b173566b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014